



**KentuckyOne Health**

December 8, 2014

Cabinet for Health & Family Services  
Office of Health Policy  
Emily Whelan Parento  
Executive Director  
275 E. Main Street, 4W-E  
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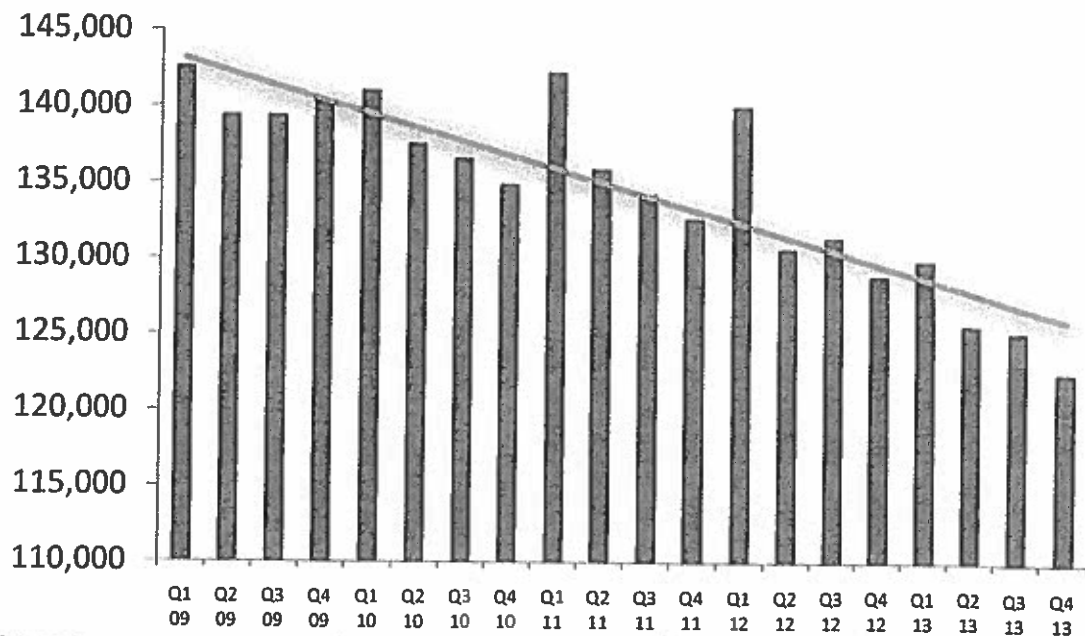
Ms. Parento:

Please accept the following comments to the Certificate of Need Modernization: Core Principles Request for Stakeholder Input on behalf of KentuckyOne Health. Per your request, we are not including specific regulatory language amendments in this document. KentuckyOne has previously submitted suggested language for various regulatory amendments, and we will submit additional proposed language at the appropriate time.



### Affordable Care Act (ACA) Impact on hospitals and Kentucky utilization

The Affordable Care of Act signed by President Obama in March of 2010 has had a significant impact on the health care landscape in Kentucky. Kentucky made the decision to expand its Medicaid program to more Kentuckians through the Kentucky Benefit Exchange with enrollment beginning in late 2013. By April 2014, over 413,000 Kentuckians had new health care coverage through the Kentucky Benefits Exchange program. While the expansion of Medicaid and insurance coverage for Kentuckians has significantly reduced the number of uninsured individuals in the state, Kentucky has experienced significant declines in overall inpatient hospital utilization. Kentucky experienced a 16.3% decline in inpatient discharges from the first quarter of 2009 through the fourth quarter of 2013. This decline in inpatient utilization has further exacerbated the over-supply of inpatient beds in the state.



*Sources: Kentucky Hospital Association\*Excludes Normal Newborns, Behavioral Medicine and Rehabilitation Services*

As the ACA is further adopted within the health care industry, health care providers are redefining the way health care is delivered through more intense focus on population health management and wellness, as well as by redefining what health care delivery looks. This includes more rapid expansion of ambulatory access points and remote delivery of health care services.



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### KentuckyOne overview and response to ACA

KentuckyOne Health is the state's largest health system with 3,020 licensed beds, a network of 3,600 active staff physicians and nearly 13,000 employees. KentuckyOne Health provides some form of health care to almost a million of Kentucky's four million residents each year.

The changing health care environment has encouraged KentuckyOne to be innovative in the way it delivers health care services to patients through improved access points, an increased focus on preventive health and population health management and development of key collaborations/partnerships to ensure its patients access to the full continuum of care. Some examples of KentuckyOne's responses to and further preparation for recent and upcoming changes in health care include:

1. KentuckyOne Health Partners — is KentuckyOne's provider —based, physician-led Clinically Integrated Network (CIN). With a network of over 1,200 providers, KentuckyOne Health Partners is KentuckyOne's answer to achieving the Triple Aim objectives of better value, better care and population health improvement.
2. KentuckyOne Express Care—provides access to routine medical care in convenient locations in partnership with Walgreens.
3. KentuckyOne Anywhere Care—virtual primary care delivered to patients in their homes or preferred location.
4. KentuckyOne After Hours Care—provides extended hours at primary care locations to allow for care when convenient for the patient.
5. KentuckyOne Workplace Care—KentuckyOne's solution to managing the health of Kentucky's workforce, offering services to over 2,500 local and regional employers.
6. Health Lifestyles Centers—community based centers that focus on health and wellness.
7. Signature Healthcare —collaboration with Signature Healthcare to provide skilled nursing services in leased space at Saints Mary and Elizabeth Hospital, which is located in an area with an aging population.
8. Kindred Healthcare —collaboration with Kindred Healthcare to provide long-term acute care services in leased space within Jewish Hospital.

Inpatient utilization of health services is rapidly declining, while ambulatory service utilization is increasing at a rapid pace. This trend is driven by improvements in technology and minimally invasive procedures lessening the need for inpatient hospital stays, increased utilization management by insurers and an increased focus on the health of the population. As a result, KentuckyOne is focusing on improving its ambulatory footprint throughout the state and ensuring that care is available to patients close to home. This is demonstrated by its expansion of primary care services, outpatient imaging services, outpatient surgical care, urgent care and emergency services throughout the state.

As the health care environment continues to change and evolve toward achieving the Triple Aim: better value, better care, and population health improvements, hospitals will need the ability to form innovative partnerships and migrate toward becoming comprehensive, integrated delivery systems. As KentuckyOne outlines the requested comments, the focus will favor breaking down barriers to the creation of integrated networks that have the ability to, directly or in partnership with other providers, provide the full continuum of care to patients.



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### KentuckyOne's position on Certificate of Need (CON)

The purpose of KentuckyOne Health is "To bring wellness, healing and hope to all, including the underserved". This purpose is the foundation of the operations of KentuckyOne Health. The system cares for all patients regardless of their ability to pay. The system's philosophy is to provide services to patients close to home, particularly targeting underserved areas and demographics. Not only does KentuckyOne own and operate facilities in rural areas, but it also provides health care services through outreach to some of the poorest and most rural areas of the state. KentuckyOne is in support of the continuation of the CON regulatory process. The CON program is a mechanism to ensure access to care for even the most underserved populations and is one mechanism for ensuring quality of care. In addition, as the Kentucky Hospital Association mentions in their comments, the CON program provides stability for the market and prevents unnecessary proliferation of services. As changes are made to CON regulations and the State Health Plan, consideration and flexibility should be given to those providers that provide quality care for all patients, not those that consciously choose to care only for patients with the most lucrative payer sources or in the most highly populated areas.

### Value of Academic Medical Centers (AMC) to the Commonwealth

Academic Medical Centers are key assets to the state of Kentucky. These institutions provide access to the latest technology and cutting edge research to improve care; and they are the training grounds for future health care professionals who will likely stay within the state after completion of their training. In addition, AMC's care for all patients regardless of their condition, the complexity of their medical needs and their ability to pay. AMC's are unique state assets that must have the flexibility to thoughtfully disperse their models of care throughout the region to meet patients where they are, to provide access to cutting edge research and higher levels of care.

### Addressing the Core Principles

Below includes KentuckyOne's responses to the core principles outlined in the memorandum.

- *Supporting the Evolution of Care Delivery.* The trend is decisively away from a high-overhead acute/inpatient model to an outpatient-centric model. Thus, the CON program will seek to give health care facilities the ability to respond to market trends in a timely fashion, enabling the continued service of local communities in a changing healthcare environment.

As health care is evolving and ambulatory health care is accelerating, there is less need for inpatient facilities, particularly in rural areas with low population density. While there is a definite need for citizens to have access to care in these areas, inpatient facilities may not continue to be feasible. As rural and critical access hospitals become less sustainable, there is a need to create a pathway to allow some inpatient facilities to continue to operate in an outpatient capacity to meet the needs of the community. However, there is a need for these facilities to still have the ability to re-open as an inpatient facility in the future if changes in health care or population trends create the need to do so. The Cabinet should consider creation



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of a regulation that will allow acute hospitals to convert to outpatient facilities, maintain all existing outpatient services, as well the ability to “bank” the facility’s existing beds to allow conversion back to an inpatient facility in the future if necessary.

In addition, as outpatient facilities become more robust and gain the ability to perform more invasive procedures, the state should consider adopting the CMS rule for which patients are considered to be outpatients. On October 1, 2013 the 2014 Inpatient Prospective Payment System (IPPS) Final Rule became effective. Within this rule CMS outlines that in order for a patient to be considered an inpatient, the patient must have a stay that spans at least two mid-nights or is on the Medicare “inpatient only” list. KentuckyOne asks that the Cabinet consider recognition of this rule in language related to outpatient services.

Finally, the need for more robust outpatient facilities creates the need for flexibility to offer certain traditional hospital-based services on an outpatient basis. One example of this is diagnostic cardiac catheterization procedures that have the potential to be safely provided on an outpatient basis.

- *Incentivizing Development of a Full Continuum of Care.* Better care, increased value and improved population health depend on an integrated continuum of care in which providers communicate with each other and ensure that patients receive timely, coordinated care in an appropriate setting. Payment structures are evolving to reflect these goals; therefore, the CON program will work to promote and support providers and facilities that seek to develop a robust continuum of care alone or in partnership with others.

As health care and health systems continue to evolve there is a need for health systems to integrate to manage the full continuum of care for patients. To achieve this, regulations need to provide flexibility for health systems to provide the full continuum of care either directly or through its affiliates. One example of this falls within the post-acute care services area. Currently, the CON program creates a barrier for health systems and their affiliates to provide specific post-acute services such as home health, hospice and rehabilitation services. One specific example of this falls in the area of hospice. The current CON regulatory process is a serious hindrance to the development of hospice services as part of a robust continuum of care. Of Kentucky’s 120 counties, 87 have only one licensed hospice provider. The current State Health Plan methodology precludes approval of a second provider in 85 of these 87 counties. In order to allow health systems to further develop their continuum of care, to further the goals of the IMPACT Act of 2014, to improve access to care and to provide patients with a choice, the Cabinet should consider relaxing the current CON requirements for hospice and to allow approval of an additional hospice provider in counties where there is sufficient potential volume to support more than one.

- *Incentivizing Quality.* Healthcare is rapidly moving toward adoption of objective quality metrics. Thus, the CON program will seek to support those providers that demonstrate attainment of robust quality indicators.

Quality care is the foundation of health care and as quality data is more readily available to patients, there is a need to ensure the validity of publicly available data. KentuckyOne’s position



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is that performance on quality indicators and volume are important considerations in the CON process for specific services. However the system recommends that the Cabinet be thoughtful in the services for which quality metrics are utilized to award or deny CONs and that the sources of data for these quality metrics be given significant discernment prior to utilization of those sources as a resource for quality data for reporting to the general public and for decision-making around CON.

- *Improving Access to Care.* For a number of reasons, Medicaid members have, on average, a more challenging path toward access to care. Thus, the CON program will seek to incorporate strategies that will incentivize greater access to care for Medicaid members, the newly insured and the remaining uninsured.

KentuckyOne's purpose is to provide access to care for all citizens of the Commonwealth. This includes Medicaid members, individuals residing in rural areas and the indigent. Given this, KentuckyOne would like the Cabinet to consider creation of regulations that create a favorable regulatory pathway for hospitals/health systems with an academic mission and a mission to care for all patients to implement key services that expand access to patients across the state. Some examples include services such as Mega Voltage Radiation Therapy and Neonatal Intensive Care services. In addition, hospitals/health systems need flexibility in locating services where there is a need and where it creates accessibility for patients.

Finally, health care providers have a need to be innovative in the way in which health care services are delivered, which includes delivery of tele-health services. KentuckyOne Health has embraced this through its tele-health programs which include an extensive stroke network, remote specialty care delivery in rural areas, remote mental health consults in emergency departments and virtual primary care visits. To increase the adoption of tele-health services by health systems, the Cabinet should consider revision of current tele-health regulations and governing bodies to ensure that they are consistent with today's technology and that these regulations provide enough flexibility and incentive for providers to expand tele-health services and provide care to patients in the appropriate settings.

- *Improving Value of Care.* As healthcare transitions from a fee-for-service model to a value-based purchasing framework, payers will continue to seek evidence of value in health services. Thus, the CON program will seek to incentivize both price transparency and demonstrable value from health professionals and facilities.

As the Cabinet begins to formulate what price transparency and demonstrable value will look like for health care providers, KentuckyOne encourages that consideration be given to sources of data, use of data and appropriateness of reporting of proprietary data. There are some states that require participation in All Payer Claims Databases. This comes with implications for payers and providers. Payers oppose this required participation as they feel their claims information is one of their assets and proprietary to them. As a provider there is concern that this information is often sold to third parties to advance initiatives that providers don't necessarily support. While the transparency that this type of database brings can help advance clinical integration and assist in quality and population health cost containment efforts, significant consideration



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should be given on the type of data available, the validity of available data and the impact on providers and payers.

- *Promoting Adoption of Efficient Technology.* Increased adoption of technologies such as electronic medical records, participation in information sharing platforms such as the Kentucky Health Information Exchange, and participation in large-scale data projects such as an All Payer Claims Database are critical elements of a modernized, higher quality and more efficient health system. Thus, the CON program will seek to incentivize adoption of technologies deemed to further improve value in Kentucky's health system.

Data is a key driver of and a significant limitation to how health care is managed. Development of a more comprehensive and robust data system that includes requirements for submission of inpatient and comprehensive outpatient data by all health care providers (including those that are physician and privately owned, not just hospitals) would be a significant step toward creating a data system that will allow better decision-making around health care services. Submission of appropriate data should be a requirement for operation of health care facilities in the state of Kentucky. However, significant consideration should be given to the type of data health care facilities submit as well as the quality of the data health care facilities submit. KentuckyOne recommends that the Cabinet ensure significant input from providers in establishing what data should be submitted to drive CON related decisions.

- *Exempting Services for which CON is no longer necessary.* Kentucky regulates via CON many services that even CON states exempt. Thus, Office of Health Policy will seek to focus on strategies to modernize Kentucky's CON program to be more reflective of modern healthcare trends.

KentuckyOne Health appreciates the value that the CON program brings to the health care system in the Commonwealth and does not recommend removal of services from the CON program at this time. However, as the health care system continues to evolve, the program should be continuously evaluated to ensure that the program is not creating health care access barriers for citizens of the Commonwealth.

Sincerely,

Adonna Wickliffe  
KentuckyOne Health